Smart Practice: Legal and Financial Insights for your Clinics





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Speakers

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- Laws, regulations and tax rules may change over time, so do not rely on this
 presentation to make decisions in future without proper advice
- Consult your legal or accounting professional, as applicable, for determining how you should proceed before deciding anything based on our content





EMPLOYMENT AND STAFFING

No Agreement

• Vulnerable to disputes over responsibilities, pay and termination

• Employment Standards Act minimums and common law compensation apply

Employment Agreement

• Provides certainty (i.e., resignations, notice periods, severance, vacations, etc.)

Independent Contractor Agreement

- Typically seen with smaller clinics: clinic managers, or other part-time professionals
- Allows for more defined terms (expectations, relationship and confidentiality)
- Allows the parties to negotiate and set out clear recordkeeping and termination terms



EMPLOYMENT AND STAFFING

01

Ensure proper payroll procedures and payments

 There could be significant penalties for late remittances and filings. 02

Employee vs. contractor considerations

03

Typically, the biggest issue I see in practices

- Severance
- Staff issues

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CORPORATE STRUCTURE

Medical Clinic – Not Incorporated	
PROS	
Simpler, as there is no need for incorporation	 No legal entity to hold clinic assets and contracts
Lower admin and legal costs	 Logistical challenges (i.e., staffing, bank account, etc.);
 Operating as a true cost-sharing arrangement, often avoiding 'associated companies' sharing of small business deduction (SBD) 	 More complex bookkeeping/reconciliation What happens if one party doesn't pay the other?

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CORPORATE STRUCTURE

Medical Clinic — Incorporated	
PROS	CONS
 Centralized handling of clinic-wide expenses and revenues 	Added costs (legal and accounting)
 Legal separation of liability – employees, lease, etc. 	 Governance obligations (i.e., shareholder agreements)
 Cost-sharing arrangement – decide if physicians get paid before or after expenses accounted for 	 'Associated companies' assumption – does SBD need to be shared?
 May be easier to obtain financing and sign contracts 	Requires active management



TAX/ACCOUNTING – CORPORATE STRUCTURE

- 1. Association
- 2. Specified Corporate Income
- 3. Cost share vs. partnership. Are you following your cost-share agreement?
- 4. GST implications
- 5. Cost-sharing split. How is this determined and calculated?
- 6. Property purchase Opco vs. holdco
- 7. Income from other physicians working in the practice



CASH FLOW AND PROFIT MANAGEMENT

1. Revenues

- Are all revenues being billed and collected in a timely manner?
- Are you working efficiently and in the highest value areas? Revenue producing vs. admin

2. Expenses

- Are all expenses necessary?
- Are they being reviewed regularly?
- Staffing is usually the largest expense. Are all staff necessary?



CASH FLOW AND PROFIT MANAGEMENT

1. Excess cash

- What are you doing with the excess cash in the company?
 - Invest within the company
 - Invest in a holding company
 - Types of investments (active and passive)





KEY AGREEMENTS IN MANAGING YOUR PRACTICE

Group Governance Agreement

- This applies to all physicians at the clinic, whether they are shareholders or not
- Comprehensive, all-in-one agreement: covers financial matters, meeting frequency and decision-making processes, cost-sharing mechanics, appointing clinic director and privacy officer
- Deals with less common but sometimes contentious issues: approval of locums, procedures for adding or removing physicians, and retirement and disability provisions

Cost-Sharing Agreement

- These deal with income and expense allocation only there are no governance rules or group obligations
- Ideal for smaller clinics or where each physician operates completely independently from one another
- Different types of cost-sharing: fee-split (e.g. 70% clinic/30% physician) or expenses allocated based on FTE



KEY AGREEMENTS IN MANAGING YOUR PRACTICE

- 3. Shareholders' Agreement (if the clinic is incorporated)
 - Note: Not all physicians need to be shareholders of the medical clinic
 - This is very similar to the Group Governance Agreement, but it addresses corporate aspects of a company (i.e., voting rights, buy-in, share transfers, dispute resolution, buy out mechanisms, etc.)
- 4. Data-Sharing Agreement
 - This is an essential agreement for clinics with shared EMR systems
 - It outlines access to patient records, confidentiality obligations, patient privacy under applicable health laws, and procedures for departure (i.e., data migration and record retention)
 - Templates of all these agreements are available on the Doctors of BC website under "Business Support Managing Your Office" obtain legal advice before using



LEASE OR BUY?

1. Leasing Premises

- Leasing provides for a lower upfront cost (versus purchasing real estate), however a lease is subject to landlord restrictions and as a tenant, there is less control over alternations and improvements
- Restrictions include access, signage, parking stalls, approvals for any improvements, etc.

2. Buying Real Estate

- Purchasing real estate is a form of a long-term asset and allows control over premises and renovations
- It can also lead to potential rental income from future tenants

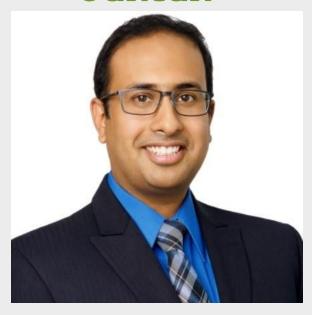
3. Real Estate Holding Entity

- Incorporating a separate entity provides liability protection and tax planning benefits:
 - value of property separate from clinic value



Questions & Contacts

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